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14 NOVEMBER 2025



**CMA MARKET INVESTIGATION INTO THE SUPPLY OF VETERINARY SERVICES FOR
HOUSEHOLD PETS**

RESPONSE TO THE CMA'S PROVISIONAL DECISION REPORT OF 15 OCTOBER 2025

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Pets at Home Group Plc (**PAH**) welcomes the opportunity to comment on the Provisional Decision Report (**PDR**) published by the Competition and Markets Authority (**CMA**) on 15 October 2025.

This response (**Response**) builds on PAH's previous submissions and RFI responses to the CMA. Unless otherwise stated, defined terms in previous submissions have the same meaning in this Response.

Please note that this Response contains confidential information/business secrets, disclosure of which might significantly harm the legitimate business interests of the PAH group for the purposes of Section 244(3)(a), Part 9 of the Enterprise Act 2002 (**EA02**). This confidential information is indicated by **green highlight**. Three Confidential Annexes on the CMA's pricing and profitability analyses have been prepared by PAH's economic advisors, NERA, and these Confidential Annexes will be sent separately to the CMA as they have not been shown to individuals outside the Confidentiality Ring.

This response is structured as follows:

- **Executive Summary**
- **Section 1** Introduction
- **Section 2** sets out PAH's fundamental issues to the CMA's PDR, namely:
 - that the CMA is currently incorrectly overstating concerns about the pricing and profits of LVGs **[REDACTED]**, and therefore overstating the resulting 'customer detriment' for the industry as a whole **[REDACTED]**;
 - that the PDR is proposing several remedies which risk **[REDACTED]** and, for that reason, could damage competition in the market; and,
 - that it is fundamentally anticompetitive that non-vertically integrated FOP businesses, such as PAH, should be compelled to the extent proposed by the PDR to positively promote and encourage its pet owners to switch to online pharmacies, in particular those vertically integrated with some of the other five Large Vet Groups (**LVG5**).
- **Sections 3-5** set out PAH's comments on the CMA's economic analysis supporting its AEC findings in Part A of the PDR, in particular:
 - **Section 3** explains that the CMA is incorrect to classify all economic profits as customer detriment where, for PAH, its unique business model means that it derives superior efficiency, which is a legitimate reason for economic profits;
 - **Section 4** explains that the CMA's approach to profitability materially underestimates the true investment costs of opening greenfield FOPs, and therefore materially overstates the profitability for the industry and PAH; and,
 - **Section 5** explains that, on the CMA's own analysis, **[REDACTED]** and, when

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using a weighting approach consistent with the approach applied by the CMA in its analysis of the effects of corporate acquisitions, [REDACTED].

- **Sections 6-12** set out PAH's comments on the CMA's proposed remedies package in Part B of the PDR, in particular:
 - **Section 6** covers the measures proposed by the CMA to increase consumer engagement and choice of the most suitable FOPs;
 - **Section 7** covers the measures proposed by the CMA to help consumers choose the most suitable treatments, referrals and diagnostics and to support vets to provide appropriate and timely advice;
 - **Section 8** covers the measures proposed by the CMA to open the medicines market to greater competition and help consumers get the best prices;
 - **Section 9** covers prescription price controls and medicines price controls;
 - **Section 10** covers the measures proposed by the CMA to facilitate FOPs switching out-of-hours provider and measures to facilitate best pet end-of-life choices for pet owners;
 - **Section 11** covers the measures proposed by the CMA to improve pet owners' ability to complain and receive redress if they are unhappy with their pet's care; and
 - **Section 12** covers the measures proposed by the CMA to provide a replacement statutory regime for the effective regulation of veterinary services.

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EXECUTIVE SUMMARY

PAH welcomes the opportunity to respond to the PDR.

PAH commends the diligence of the CMA panel and staff in grappling over the last 1.5 years with a range of complex and interlinked issues in the veterinary sector. This Response is intended to be constructive, with a view to ensuring that the CMA's final report in this investigation will make a major contribution to making a better world for pets and the people who love them (which is PAH's overarching mission).

Remedies that PAH supports

PAH broadly supports several aspects of the PDR and the proposed remedies (albeit that certain refinements are proposed, see below), including:

- Remedy 1 (requirement to publish information on ownership);
- Remedy 2a (requirement to publish basic service information);
- Remedy 2d (requirement to publish information about pet care plans);
- Remedy 5a (requirement to provide a written estimate of the total cost of treatments > £500);
- Remedy 5b (itemised bills requirement);
- Remedy 6 (vet independence policies and processes requirement);
- Remedy 12 (OOHs contracts notice periods);
- Remedy 13 (cremations);
- Remedy 14 (in-house complaints process minimum criteria requirement); and
- Remedy 17 (recommendations to establish a replacement statutory regime).

Fundamental issues

However, PAH has a number of fundamental issues with respect to the PDR:

- a. The PDR overstates concerns about pricing and profits of LVGs [REDACTED] and, as a result, overstates Customer Detriment for the industry as a whole and [REDACTED].**
- b. PAH should not be grouped with the LVG5** given the fundamental differences between PAH and the LVG5. The PDR consistently does this, leading to unsupportable provisional findings and remedies proposals. In particular, the PDR proposes remedies [REDACTED], which would damage competition in the market.
- c. It is fundamentally anticompetitive that non-vertically integrated FOP businesses, such as PAH, should be compelled to proactively promote LVG5 vertically-integrated online pharmacies** and to positively encourage its pet owners to switch to them (as opposed to informing pet owners of their options in a more balanced and neutral way).

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The CMA overstates profitability and the resulting customer detriment for the industry as a whole [REDACTED]

PAH is the only LVG that has operated an organic growth strategy, investing to add new greenfield FOPs in competitive FOP local markets (and being the only LVG that is not vertically integrated into other services).

On the CMA's own analysis, [REDACTED] and indeed, when correcting the weighting used in the CMA's econometric analysis, [REDACTED].

The CMA estimates that PAH earns profits above WACC (i.e. economic profits), but substantially because of its unique business model (efficient footprint and investment strategy). For the industry, the CMA's approach to profitability also materially underestimates the true investment costs of opening greenfield FOPs and therefore materially overstates the profitability for the industry [REDACTED].

The CMA mechanically interprets all economic profits above WACC to be customer detriment. Yet this interpretation implies that a significant amount (c. [REDACTED]% over five years, and c. [REDACTED]% in 2024) of the customer detriment estimated by the CMA was [REDACTED]. That is **plainly an incoherent and unfair outcome**. PAH's superior efficiency is legitimate reason for economic profits, and [REDACTED], and it is plainly wrong to classify this as customer detriment.

The coherence of these findings needs to be resolved by the CMA before assessing the proportionality of the remedies package.

The proposed remedies undermine the PAH model and push it towards the LVG5 model

A key feature of PAH's unique and highly pro-competitive JV business model and structure is that clinical, operational and pricing decisions are made locally by independent JV Practice Owners with freedom to make choices that best serve the pet owners and communities they serve. This feature of PAH's structure and business model is key to securing the competitive outcomes (see above) which have distinguished PAH from the LVG5.

For this reason, PAH is keen to ensure that any eventual remedies the CMA may adopt are designed in a way that does not undermine the delicate balance at the heart of its unique and highly pro-competitive JV business model and structure, which is more akin to that of independents than that of the LVG5.

The proposed remedies too often ignore this and appear designed to push PAH to move closer to a LVG5 model – for instance:

- a. **treating PAH as a single LVG for the purposes of Remedy 4** (group level pet owner survey) incorrectly treats PAH's Practices as centrally-controlled by PAH, rather than the reality that under the PAH structure each Practice is autonomous of the others.

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The CMA's reasoning for publicizing for each LVG (including PAH) the survey results is simply not applicable to PAH;

- b. **compliance obligation:** the PDR envisages imposing a number of requirements on "veterinary businesses operating FOPs" with respect to the local operational and commercial decisions and practices of each FOP operated by the veterinary business. However, with respect to PAH's JV Practices (each of which is its own separate legal entity), it is unclear [REDACTED]. [REDACTED].

Requiring FOP-only businesses to promote LVG5 online pharmacies is fundamentally anticompetitive

This proposal would tilt the market in favour of vertically-integrated LVG5s, who will:

- a. have the ability and incentive to encourage their pet owners to continue to use their own inhouse online pharmacy (including due to the convenience flowing from their inhouse pharmacy likely being directly linked to their FOPs' PMS), so that the vertically-integrated LVG5s can expect to largely retain the veterinary medicines custom of their own pet owners;
- b. also gain additional customers of FOP-only businesses through the free riding which is the explicit aim of the CMA's remedy; and
- c. may have resulting incentives on online pharmacies to actually increase medicine prices sold via their online pharmacies.

In addition to it being unfair (and a conflict of interest) for PAH and other independents to be forced to advertise and promote rivals' online pharmacies, the unintended consequence of the CMA's proposals may well be to incentivize more vertical integration and could well lead to more FOPs selling-up to LVG5s.

This proposal also has the potential to cut across the very real benefits to pet owners of purchasing in-clinic (which benefits explain why in-clinic purchasing is the choice for most pet owners).

Suggestions for improving certain PDR proposed remedies

PAH has the following suggestions to improve some of the proposed remedies:

- a. **RCVS Levy:** the PDR proposes that this be payable by all veterinary businesses apportioned between them "on a per (small animal) FOP basis".¹ [REDACTED].
- b. **Remedy 1 (ownership information):** it is important that this remedy does achieve a true level playing field and is not open to manipulation by LVG5s to minimise/hide the group ownership, for instance, we suggest that this remedy requires the group ownership to be disclosed **before** the local FOP name (not after it).

¹ PDR, Part B, paras. 2.56 and 11.59.

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- c. **Remedy 2b (standard price list for a defined selection of services):** the proposed level of granularity is still impractical and PAH suggests that the CMA should instead focus and limit the scope of the standardized price list to commonly offered and reasonably standardisable services in order to strike the right balance between what can be practically provided to pet owners that is useful to help them compare prices across FOPs. Any requirement to include more complex or non-routine services in the price list would not, in PAH's view, be proportionate or, indeed, useful. Also, the total charge for each of the defined services in the price list should not include elements of the relevant treatments where such elements can often greatly vary in individual cases (e.g. post-surgery pain relief). Finally, it would not be practical or helpful for this list to have to be included in all digital communications (e.g. text messages).
- d. **Remedy 2c (preferred parasitocides price publication):** providing pricing based on specific prescribed veterinary medicines is likely to be contrary to the prohibition on advertising POM-V medicines to pet owners in the Veterinary Medicine Regulations 2013.
- e. **Remedy 3 (RCVS enhanced Find a Vet platform):** competition between veterinary practices principally takes place at the local level, so Remedies 1 and 2a-d alone would increase the availability of information and provide significant benefits for pet owners, such that proposed Remedy 3 is not necessary, since pet owners will be well able to carry out online research using search engines and AI systems to shop around if they wish to. As such, the cost is not proportionate to the benefit.
- f. **Remedy 4 (bi-annual group-level survey):** because competition for FOPs very much takes place in the local FOP markets, the sort of national survey which the CMA is proposing would not be helpful for pet owners, who need information on their local choices. The information that is helpful to pet owners in assessing FOP quality and care and service levels in the local FOP market (which is what pet owners are interested in) consists of a combination of local Google reviews for local service perception and customer sentiment information, information on PSS accreditation, which provides an objective, audited measure of clinical governance and quality, and information on local pricing (e.g. published standardised price lists).
- g. **Remedy 5a (written estimate for treatments > £500):** it is simply not workable or manageable for non-vertically integrated FOPs to be required to provide fee estimates for the services of an external service provider.
- h. **Remedy 7 (information measures to increase awareness of online pharmacies):** See above. In addition, although PAH supports proposals for additional literature, the PDR currently proposes excessive reminders including in text messages and emails in FOPs' communications with pet owners, which, in PAH's view, is inappropriate and blurs the line between clinical communications and marketing.
- i. **Remedy 8 (measures to reduce barriers to purchasing online):** PAH believes mandating written prescriptions with either a hard-copy by the end of the consultation, or a digital copy by the end of the same day, without robust security protocols, would increase the risk of fraud and that a time frame of 24 to 48 hours would be more appropriate than by the end of the consultation or by the end of the same day. The

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process for obtaining POM-V medicines is not analogous to the process for obtaining human medications.

- j. **Remedy 10 (repeat prescriptions default choice):** PAH agrees with the principle that pet owners should be given the choice of whether their default for repeat prescriptions is a written prescription or dispensing in-clinic. However, if the pet owner does not choose, PAH would strongly favour that the default should be in-clinic purchase rather than written prescription. Mandating the default position to written prescriptions for repeat prescriptions undermines pet owner choice, puts an unnecessary and time-consuming burden on the prescribing veterinarian and risks delays in treatment which could be detrimental to animal welfare.
- k. **Remedy 11 (prescription price cap):** setting the cap in the lower quartile of prescription fees across the market and requiring that only a single prescription fee could be charged per consultation is disproportionate and fails to adequately reflect the complexity of the prescribing process, particularly in circumstances where multiple medicines are being prescribed as part of a treatment. This remedy should allow for additional incremental charges in circumstances where multiple POM-V medications are being prescribed as part of a treatment to reflect the greater level of clinical input required. Also, PAH disagrees with the CMA's rejection of regional variations in the price cap in favour of a single national prescription fee cap (with no regional adjustments).
- l. **Remedy 12 (OOH notice periods):** [REDACTED].
- m. **Remedy 14 (in-house complaints process minimum criteria requirement):** the proposal to require FOPs to issue a full response to an actionable complaint no longer than eight weeks after receiving the complaint is too short. PAH believes that twelve weeks minimum would be an appropriate and reasonable timeframe with the possibility of extending the timeframe by an additional six weeks where a pet morbidity review is carried out.
- n. **Remedy 15 (mediation):** the remedy design should include a mechanism for FOPs to demonstrate to the ADR provider that due process has been followed, which if it has been evidenced, should be sufficient to ensure that the relevant FOP is not required to engage in mediation. Also, in order to avoid a significant backlog of cases, PAH believes that the CMA should require ADR providers to decide whether a complaint is frivolous or vexatious and whether due process has been followed such that mediation is not required within five working days. The CMA should also consider limiting the time period in which actionable complaints must be made to further minimise the resource burden on FOPs. Finally, we suggest that the complainant should bear some of the mediation cost, again to act as a disincentive to frivolous/vexatious complaints. These suggestions are aimed at ensuring this remedy does not impose excessive cost and administrative burden on FOPs.
- o. **Northern Ireland and online pharmacies:** there is potential for the Windsor Framework to make it harder for online pharmacies to supply into Northern Ireland so the CMA should ensure this is factored into its thinking.

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- p. **Remedy 17 (recommendations to establish a replacement statutory regime):** such recommendations need to be proportionate, in particular as regards enforcement powers and sanctions, to minimize unnecessary cost and burden on FOPs.
- q. **Time to comply post-CMA Order:** In PAH's view, six months (for larger veterinary businesses) and nine months (for smaller businesses), would be more realistic and proportionate, in particular given the heavy penalties potentially applicable in the event of failure to comply.

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1 INTRODUCTION

- 1.1 PAH is the UK's leading pet care business, providing pets and their owners with advice, products and care, and whose purpose is to create a better world for pets and the people who love them. Pet owners and their pets, together with our dedicated veterinary professionals, are at the heart of PAH's business.
- 1.2 PAH's JV model and structure are unique in the UK veterinary services space, in that the Vet Group has a "hybrid" model which PAH believes combines many of the efficiencies and economies of scale which can be achieved through a larger corporate group with local (Practice-level) clinical and operational autonomy including over pricing, services, local practice investments and referrals, supporting optimal outcomes for pet owners and their pets. PAH is differentiated from the LVG5 and should not be grouped with the LVG5. Our business model is unique and offers significant benefits to pet owners and the veterinary teams we work with.
- 1.3 PAH is pleased to see that the CMA has revised its proposed remedies package following feedback from stakeholders within the industry on its initial package of remedies proposed in the May 2025 Remedies Working Paper (**RWP**). However, while PAH supports a number of the CMA's remedies proposals, PAH is keen to ensure that any eventual remedies the CMA may adopt are designed in a way that does not undermine its unique and highly pro-competitive JV business model and structure, which is more akin to that of independents than that of the LVG5.

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2 FUNDAMENTAL ISSUES

- 2.1 PAH supports and commends several aspects of the PDR, as outlined in this Response, and commends the diligence of the CMA panel and staff in grappling over the last 1.5 years with a range of complex and interlinked issues.
- 2.2 In this Response, PAH aims to provide constructive feedback to the PDR, with a view to ensuring that the CMA's final report in this investigation will make a major contribution to making a better world for pets and the people who love them (which is PAH's overarching mission).
- 2.3 In that spirit, PAH wishes to identify and explain upfront in this Response:
- (a) PAH's three fundamental issues that relate to Part A of the CMA's PDR:
 - (i) The interpretation of customer detriment (Concern A)
 - (ii) The CMA's approach to estimating profitability (Concern B); and
 - (iii) The CMA's econometric analysis of pricing (Concern C).
 - (b) PAH's two most fundamental issues with what is proposed in Part B of the PDR, with a view to further engaging with the CMA panel and staff to address these concerns:
 - (i) The PDR too often fails to acknowledge PAH's unique pro-competitive structure and business model and proposes remedies which will undermine that model and so damage competition (Concern D); and
 - (ii) The extent to which non-vertically integrated FOPs will be compelled to promote online pharmacies is fundamentally anticompetitive (Concern E).

A The CMA's interpretation of Customer Detriment is misleading

- 2.4 The CMA motivates the need for its proposed remedies package based on its provisional findings on the pricing and profits of what it refers to as the LVGs. As noted above, PAH should not be grouped with the other LVG5. PAH considers that the CMA currently (and incorrectly) overstates both concerns and, as a result, overstates *Customer Detriment* for the industry as a whole [REDACTED].
- 2.5 The CMA is incorrect to classify all *Economic Profits*² as customer detriment. Superior

² Economic Profits are earnings in excess of 'normal' earnings, which are earnings above the appropriate cost of capital multiplied by capital employed.

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efficiency is a legitimate reason for producer surplus – as recognised by the CMA Market Investigation Guidelines and recent judgments from the Competition Appeal Tribunal. The PAH business model delivers superior efficiencies, many of which are unique to the innovative business model (and cannot be replicated by others e.g. co-location in retail stores), and it is plainly wrong to classify these as customer detriment.

- 2.6 By way of example, the CMA uses a model to estimate tangible capital employed for each LVG based on square footage. The CMA's use of this model means that around [REDACTED]% of PAH's Economic Profits estimated by the CMA (nearly [REDACTED] over the last five years, when expressed in pound terms) is simply driven by PAH operating space-efficient FOPs. It is, in our view, incorrect to classify this innovative business model as having caused customer detriment that is then used to justify remedies.

B The CMA ignores actual investment costs and so overstates profitability

- 2.7 Across the full sector, the CMA's approach to profitability also materially underestimates the true investment costs of opening greenfield FOPs. PAH is uniquely positioned to comment on the costs of investment, having opened more new greenfield FOPs in the UK in the past decade than any other player. The actual investment costs associated with opening a new FOP and bringing it to maturity are substantial. The capitalised value of these costs is much larger than the CMA's 'bottom-up' approach of estimating an intangible asset. The CMA's approach largely ignores investment into new FOPs and simply tracks the ongoing costs of certain marketing and staff training costs (which primarily apply to mature FOPs). NERA's analysis suggests that using a more realistic estimate of actual investment costs would lead the CMA's estimated customer detriment to fall by approximately [REDACTED]% (around £[REDACTED] over the last five years, when expressed in pound terms).

- 2.8 Therefore, on profits, the CMA has overestimated the economic profitability of FOPs in the UK, and plainly overestimated the customer detriment when counting legitimate producer surplus as customer detriment. This is not conducive to greenfield investment in the sector.

- 2.9 In any event in terms of profitability, PAH is concerned that the CMA has not conducted meaningful profitability analysis for around 40% of the FOPs in the UK. Some of these independent FOPs may well earn profits above WACC, but many will not be doing so (particularly when recognising that micro-businesses likely face higher WACC than reflected in the CMA's WACC benchmark). Faced with already narrow trading margins, any additional costly remedies are likely to force them either: from the market entirely; into the arms of the acquisitive LVGs that have chosen to grow inorganically; or, to increase their prices to recover costs. The CMA's PDR contains no detailed analysis of the unintended consequences on independent FOP provision that may result from remedies that add costs to FOPs.

C The CMA's pricing analysis [REDACTED]

2.10 The CMA's econometric pricing analysis of insurer data shows:

- (a) The CMA PDR Press Release said that LVGs were approximately 16.6% more expensive than Independents on the basis of an econometric analysis conducted by the CMA on insurance data. As shown in Confidential Annex 001, however, this finding is misleading for PAH. On the CMA's own analysis, but using a weighting approach consistent with what the CMA has used elsewhere in the PDR, [REDACTED].
- (b) The CMA accepts that customers care about the size of savings in pound terms, not relative percentage terms. However, in the CMA's current econometric comparison, each treatment type is given equal weight. It is more appropriate to instead weight each treatment type by customer spending, which reflects the materiality in pound terms of each percentage point saving. Obviously, the customer cares about the end pounds in the pocket, so focussing on relative percentages rather than pound values is misleading. If the CMA instead focussed on ranking FOPs by pound savings, [REDACTED].
- (c) PAH continues to have significant concerns about the estimates of price inflation over time. In media statements, the CMA quotes 63% price inflation between 2016 and 2023, but this is an incorrect estimate as it excludes all new FOPs opened over the period, many of which were by PAH. Less than [REDACTED]% of the FOPs included in the CMA's sample used to estimate the 63% price inflation cited in the PDR were owned by PAH, meaning the CMA's finding is not representative of PAH's experience.

D The PDR too often fails to acknowledge PAH's unique pro-competitive structure and business model and proposes remedies which will undermine that model and so damage competition

2.11 A key feature of PAH's unique and highly pro-competitive JV business model and structure is that clinical, operational and pricing decisions are made locally by independent JV Practice Owners with freedom to make choices that best serve the pet owners and communities they serve.

2.12 This feature of PAH's structure and business model is key to securing the competitive outcomes (in terms of competitive pricing, range and service levels, and local investments, as well as enabling the achievement of very significant cost savings and efficiencies thereby enabling continued investment and innovation in its Practices) which have been characteristic of the Vet Group and which have distinguished PAH from the LVG5.

2.13 The PDR too often fails to acknowledge that PAH's unique pro-competitive structure

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and business model sets it apart from the LVG5. The PDR is not clear as to whether [REDACTED], which would damage competition in the market. Any eventual remedies the CMA may adopt should be designed in a way that does not undermine PAH's unique and highly pro-competitive JV business model and structure – at the very least not without fully considering the issue and fully justifying the proportionality of such an approach on each occasion, which the PDR simply does not address.

2.14 For instance, treating PAH as a single LVG for the purposes of Remedy 4 (group level pet owner survey) incorrectly treats the Vet Group Practices as a unitary group of Practices centrally-controlled by PAH, rather than the reality that under the PAH structure each Practice is autonomous of the others as regards most of the variables which determine customer perceptions of quality and cost and so each should be viewed as part of the cohort of independent practices for the purposes of this remedy. The CMA's reasoning for publicizing for each LVG (including PAH) the survey results³ is simply not applicable to PAH. For instance, it would be fundamentally unfair for all Vet Group Practices to be penalised in the event that the customers of one or a small number of JV Practices report in the survey dissatisfaction with quality/cost, given the absence of central control.

2.15 In a similar vein, the PDR envisages imposing a number of requirements on "*veterinary businesses operating FOPs*" with respect to the local operational and commercial decisions and practices of each FOP operated by the veterinary business. However, with respect to PAH's JV Practices (each of which is its own separate legal entity), it is unclear [REDACTED]:

(a) on the one hand, the PDR⁴ defines the concept of "*veterinary business operating FOPs*" as "*...any entity whether they are a legal person like a company, in a joint venture or partnership, or an individual*". Also, the PDR as regards the effectiveness of the proposed remedies, states⁵ "*The remedies help to ensure that veterinary businesses, which control the way their FOPs and other services operate, play their part in helping pet owners choose treatment options that are best for them and their pet*" – rightly (in PAH's view), linking the concept of "*veterinary businesses operating FOPs*" to the extent to which the way FOP's operate (for instance on prices, range of services, investments at the FOP level etc.) is or is not controlled by the veterinary business in question, under which approach it is submitted that [REDACTED].

(b) the other hand, several other paragraphs in PDR Part B – including paragraphs 2.66, 2.74 + Fn.64 ("*...the six LVGs, plus one medium-sized group*"), 3.173

³ E.g. see PDR, Part B, para.3.193(ii): "[The LVGs] ownership and control of the individual FOPs ...would give them the incentive and ability to lower prices, improve quality or offer greater value...so as to improve their results...".

⁴ See PDR, Part B, footnotes 25, 93, 107, 118 and 121.

⁵ PDR Part B paragraph 4.91.

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(“...all veterinary businesses operating FOPs (LVGs and others) at the FOP level...”), 3.248 (“...would be proportionate for LVGs (and other veterinary businesses should they grow sufficiently large), and not independents, to pay for this survey...”), and 6.28 (which distinguishes between two “...different types of veterinary businesses operating FOPs...”, namely LVGs -v- independent FOPs) – [REDACTED].

- 2.16 Given the delicate balance underpinning PAH’s unique JV model, under which JV Practice Owners have local (Practice-level) clinical and operational autonomy including over pricing, services and referrals, etc., [REDACTED]. [REDACTED]. On the other hand, [REDACTED]⁶ ([REDACTED]).

E The extent to which non-vertically integrated FOPs will be compelled to promote online pharmacies is fundamentally anticompetitive

- 2.17 In PAH’s view, it is fundamentally anticompetitive that non-vertically integrated FOP businesses, such as PAH and independents, should be compelled by the CMA to proactively promote online pharmacies and to positively encourage its pet owners to switch to online pharmacies to the extent proposed, in particular given that several of the leading online pharmacies are vertically integrated with LVG5s.⁷

- 2.18 Firstly, it tilts the market in favour of vertically-integrated LVG5s, who will:

- (a) have the ability and incentive to encourage their pet owners to continue to use their own inhouse online pharmacy (including due to the convenience flowing from their inhouse pharmacy likely being directly linked to their FOPs’ PMS), so that the vertically-integrated LVG5s can expect to largely retain the veterinary medicines custom of their own pet owners;
- (b) also gain additional customers of FOP-only businesses through the free riding which is the explicit aim of the CMA’s remedy; and
- (c) will have incentives to actually increase medicine prices sold via their online pharmacies, relying on the numerous prompts to pet owners from their FOPs that it may be significantly cheaper to buy prescription medicine online to desensitize pet owners. In addition to it being unfair (and a conflict of interest) for PAH and other independents to be forced to advertise and promote rivals’ online pharmacies, the unintended consequence of the CMA’s proposals may well be to incentivize more vertical integration and could well lead to more

⁶ It is submitted that it would be fair and proportionate for the financial exposure for non-compliance without a reasonable excuse (see PDR, Part B, paragraph 2.39(c) and fn.39) [REDACTED].

⁷ VetPartners owns an online pharmacy for animal medication called VetUK. CVS owns an online pharmacy for animal medication named Animed Direct. IVC owns an online pharmacy business for animal medication named Pet Drugs Online (PDOL).

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FOPs selling-up to LVG5s.

- 2.19 This also ignores and has the potential to cut across the very real benefits to pet owners of purchasing in-clinic, which benefits explain why this is the default option of most pet owners.
- 2.20 Bearing in mind that one of the main considerations which led to the CMA referring the veterinary sector for a market investigation was concerns around the rapid growth of LVGs in the sector,⁸ the extent to which the CMA is now proposing that FOP-only businesses (including PAH and independents) should be required to go to such lengths and cost in promoting vertically-integrated LVG5 online pharmacies with the aim of diverting revenues and profits from the independents to the vertically-integrated LVG5s, is wholly disproportionate, misplaced and fundamentally anticompetitive.

⁸ See paras. 10 and 12, [Final report of the consultation](#) 23 May 2024.

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3 THE CMA'S ESTIMATE OF PAH'S CUSTOMER DETRIMENT DOES NOT REFLECT CO-LOCATION EFFICIENCIES FROM PAH'S BUSINESS MODEL

3.1 PAH welcomes the CMA's endorsement of the cost efficiencies generated by PAH's business model. In particular, the CMA acknowledges that PAH can generate a significant cost efficiency from PAH co-locating FOPs within its retail stores.

3.2 As the CMA explains in the PDR:⁹

(a) [REDACTED];

(b) [REDACTED];

(c) [REDACTED];

(d) [REDACTED];

3.3 PAH is pleased that the CMA recognises this unique feature of its business model. Further, PAH's business model delivers many other cost efficiencies (beyond co-location) such as: lowered costs through group scale and efficiency; new practice start-up support; and a trusted national brand. Even PAH's standalone FOPs perform well. Therefore, these wider efficiencies should also be recognised, particularly as [REDACTED] and PAH FOPs operate in local markets where they face many competing fascia.

3.4 As noted by the CMA, co-location allows PAH's in-store FOPs to operate using an optimised configuration and a smaller footprint. In the CMA's analysis of capital employed (using square footage as a key driver of the estimation), this results in a much lower capital employed being estimated compared to a 'standalone' FOP. However, to be clear, PAH considers that it invests substantially in all its FOPs and that FOPs, including in-store FOPs, have state-of-the-art equipment and facilities.

3.5 PAH's efficient use of space flows through to customers:

(a) **Lower costs facilitate market entry.** PAH's efficient use of space lowers the cost of entering new local markets. Lower costs are therefore a key driving force behind PAH's ability to increase competition via market entry. PAH has entered more local markets than any other LVG and is responsible for around 30% of all greenfield FOPs opened since 2014.¹⁰

(b) **Lower costs** [REDACTED].

⁹ CMA PDR Part A, paras 7.56-7.57.

¹⁰ CMA, *Provisional Decision Report: Part A*, paragraph 2.20(f). The CMA's analysis finds that PAH opened 216 FOPs out of 745 in total. The analysis focuses on FOPs that are still open today (rather than all FOP openings).

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- 3.6 Lower prices and greater competition due to market entry generate tangible customer benefits. These benefits are made possible by PAH's innovative business model.
- 3.7 Considering these customer benefits, it is inappropriate for the CMA to mechanically calculate an estimate of '*customer detriment*' that simply aggregates its measure of economic profit (i.e. profit in excess of WACC) across LVGs. As a clear illustration, the CMA would have calculated a lower estimate of customer detriment if PAH had higher costs (i.e. if its business model did not generate cost efficiencies) or another LVG (that did not generate cost efficiencies) had opened 240 new FOPs instead of PAH. The latter is counterintuitive as the CMA's own findings suggest that [REDACTED].¹¹

A A Frontier Firm can legitimately earn profits exceeding the 'normal' level

- 3.8 A *frontier firm* (i.e., a firm that innovates or generates unique cost efficiencies) can legitimately earn profits that exceed the 'normal' level. In dynamic and competitive markets, some firms will innovate to find efficiencies and thus earn higher profits compared to firms that did not innovate.
- 3.9 This logic is expressed in the CMA Market Investigation Guidelines and recent judgments from the Competition Appeal Tribunal (**CAT**):
- (a) The Market Investigation Guidelines state that: "*[a]t particular points in time the profitability of some firms may exceed what might be termed the 'normal' level. There could be several reasons, including cyclical factors, transitory price or other marketing initiatives, and some firms earning higher profits as a result of past innovation, or superior efficiency*".¹²
 - (b) The CAT has emphasised that in the real world – even in the long-run – firms can legitimately have profits higher than the 'normal' level.¹³ One of the main reasons given is that firms in real-world markets are likely to have a range of costs; and the more cost-efficient firm(s) will have higher profits – higher than the 'normal' level – thanks to their efficiency.
- 3.10 These views support the reasoning that frontier firms can legitimately – and pro-competitively – earn economic profits.¹⁴ These economic profits incentivise the necessary cost and risk to generate efficiencies and innovations. With this in mind, an estimate of customer detriment across the industry (or LVGs) should not mechanically

¹¹ Higher costs would have reduced market entry, implying a customer detriment from reduced choice (and likely higher prices due to less competition).

¹² CMA Guidelines for market investigations: Their role, procedures, assessment and remedies, April 2013, paragraph 117. Emphasis added.

¹³ [2024] CAT 65, dated 20 November 2024. In the CAT's Judgment in relation to an appeal against a decision of the CMA entitled "Unfair pricing in respect of the supply of phenytoin sodium capsules in the UK".

¹⁴ As measured by the CMA's approach of comparing Return on Capital Employed (ROCE) to the firm's Cost of Capital as measured by the Weighted Average Cost of Capital (WACC).

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interpret all economic profits as customer detriment.

- 3.11 Instead, the CMA should explicitly acknowledge the role of legitimate cost efficiencies as opposed to counting all profits above WACC as customer detriment, even when those profits legitimately reflect superior efficiency and business model innovation. Overestimating the customer detriment is important as it risks distorting the proportionality assessment of the remedies package (i.e. a lower customer detriment might negatively affect the proportionality of the remedies package).

B Demonstrating the Efficiencies from Co-Location

- 3.12 By way of example, PAH focuses here only on the efficiencies of co-location in retail stores.¹⁵ FOPs are optimally designed to fit the allocated area within the retail store, and this design is easily scalable to other retail stores. FOPs can access shared reception areas and colleague facilities within the retail store. In-store FOPs can also leverage the existing facilities for utilities, deliveries, and logistics of the retail store.
- 3.13 By comparison, a standalone FOP needs to fit the unique characteristics of the building in which it is located, as well as reserving dedicated space for the reception area, colleague facilities, and other facilities.
- 3.14 PAH is well-aware of this cost efficiency because it operates both types of FOP (i.e. in-store and standalone). Table 1 below shows that around [REDACTED]% of PAH FOPs are co-located within a PAH retail store. These in-store FOPs generate a similar amount of revenue per annum on average ([REDACTED]) compared to PAH's standalone FOPs, which generate [REDACTED] of revenue per annum on average (based on revenue from FY23 and number of FOPs at year-end FY24), despite having [REDACTED]% less square footage than standalone FOPs. PAH's in-store FOPs require less space to generate similar revenue.
- 3.15 The difference in square footage has important implications given the CMA's approach to estimating capital employed. The CMA estimates tangible fixed assets by multiplying an estimate of cost per square foot (a single estimate applicable to all LVGs) by each LVG's square footage. Thus, the CMA proportionally scales tangible capital employed by floor space.
- 3.16 The lower space requirements of an in-store FOP mechanically cause the CMA to estimate less capital employed for PAH. This approach implies that PAH receives a capital employed that is around [REDACTED]% lower than if PAH only operated standalone FOPs (similar to other LVGs).

¹⁵ Although in-store FOPs make more efficient use of space, PAH cannot exclusively run in-store FOPs as it is not always practical or possible to open an in-store FOP in a particular area.

Table 1: Comparison of PAH’s In-store and Standalone FOPs

	In-store	Standalone
Number of PAH FOPs	[REDACTED]	[REDACTED]
Share of PAH FOPs	[REDACTED]%	[REDACTED]%
Size per FOP	[REDACTED] sq. ft.	[REDACTED] sq. ft.
Average revenue in FY2023	£[REDACTED]	£[REDACTED]
Average revenue per sq. ft.	£[REDACTED]	£[REDACTED]

Source: Data on sq-foot per FOP is from Annex 009 RFI13 - Q31-33 "Capitalising Leases". The Revenue data is for FY23 and is from slide 15 of the slide pack "Role of Standalone Vet Practices" submitted as "DOC-00000861" in RFI S.174 (RFI 3). The number of FOPs is for the FY24 year end.

C A Method to Estimate Cost Efficiencies

3.17 To acknowledge the procompetitive nature of PAH’s efficiencies, the CMA should estimate and strip out these efficiencies from its measure of customer detriment.

3.18 For example, the value of the efficiencies from in-store co-location might be estimated by examining what economic profits would be if all of PAH’s FOPs were standalone FOPs.

3.19 The economic profits if all PAH FOPs were standalone FOPs can be calculated via the following steps.

(a) Calculate the operating capital employed for standalone PAH FOPs.

- (i) Calculate a standalone *uplift factor*. This is the ratio of square footage per standalone FOP compared to the square footage per FOP. This ratio is calculated using PAH’s data. The uplift exceeds one because PAH’s typical standalone FOP is larger than the blended average of FOPs (as c. [REDACTED] % are in-store FOPs). A separate uplift is calculated for each Financial Year.
- (ii) Multiply the standalone uplift factor by the tangible capital that scales proportionally with square footage in the CMA’s model. This is the yearly value of practice fit out & equipment and leasehold property.
- (iii) Other types of capital employed (such as software and intangibles) stay fixed.

(b) Calculate the EBIT for standalone PAH FOPs.

- (i) This calculation uses the same standalone uplift factor from above.
- (ii) Multiply the standalone uplift factor by the depreciation related to leasehold property and practice fit out & equipment. According to the

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CMA's model, a higher capital employed (due to scaling up square footage) will imply a correspondingly higher depreciation charge.

- (iii) Depreciation is the component of EBIT that varies between standalone and in-store FOPs. This implies that EBITDA (i.e., EBIT before depreciation and amortisation) is the same for standalone and in-store FOPs.
 - (c) **Calculate ROCE and Economic Profit.** NERA follows the same method as the CMA in the PDR. NERA calculates ROCE using the adjusted operating capital employed and EBIT for each Financial Year. Economic profit is the difference between the adjusted EBIT (i.e., after adjusting EBIT to a standalone basis) and the 'normal rate' of EBIT expected from that capital employed. The normal rate is the EBIT consistent with the cost of capital of 9%.¹⁶
- 3.20 The CMA estimates that PAH's ROCE is [REDACTED]%.¹⁷ The CMA's model to estimate tangible capital employed is based on multiplying an estimated cost per square foot by square footage. This model implies that PAH's ROCE would be very different depending on whether its FOPs were in-store or standalone. Specifically, the CMA would estimate that:
- (a) PAH's ROCE would be [REDACTED]% if it only operated in-store FOPs; and
 - (b) PAH's ROCE would be much lower at [REDACTED]% if it only operated standalone FOPs.
- 3.21 Clearly, the CMA's current estimate of PAH's ROCE is skewed upwards by the fact that [REDACTED]. Explicitly acknowledging these efficiencies means that it is appropriate to use PAH's ROCE for standalone FOPs, which is [REDACTED]% rather than [REDACTED]%.¹⁶
- 3.22 PAH's cost efficiencies due to a smaller in-store footprint translate to around an £[REDACTED] reduction in the customer detriment estimated by the CMA as shown in Table 2 below. At least [REDACTED]% of PAH's £[REDACTED] customer detriment as estimated by the CMA is in fact cost efficiencies due to PAH's in-store business model that should not be labelled as customer detriment. This is a significant reduction even before then accounting for other efficiencies and investment costs.

¹⁶ To be specific, the normal rate of EBIT is the cost of capital of 9% multiplied by the capital employed (which is adjusted to a standalone basis).

¹⁷ The calculations to estimate this value, as well as subsequent values relating to PAH's cost efficiencies, can be found in Confidential Annex 002.

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Table 2: Value of PAH’s In-Store Efficiencies (£m)

£m		FY20	FY21	FY22	FY23	FY24	Total
PAH Economic Profit (<i>CMA calculation</i>)	A	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PAH Economic Profit (<i>if all FOPs were standalone</i>)	B	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value of PAH In-Store Efficiencies	C=A-B	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA PDR, Financial and Profitability Analysis Annex; PAH data

Note: Figures might not add up due to rounding.

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4 THE CMA DOES NOT MEASURE THE TRUE INVESTMENT COST TO OPEN A GREENFIELD FOP

- 4.1 In the past ten years, PAH has opened more than 240 FOPs.¹⁸ PAH's considerable experience in opening greenfield FOPs means that PAH understands well the full and efficient investment costs associated with market entry.
- 4.2 In light of this experience, PAH explains that it is appropriate to calculate profitability with reference to actual investment costs. In this regard, the capitalised value of start-up losses measures the true investment cost of opening FOPs.
- 4.3 Start-up losses are much greater than the CMA's estimates of intangible assets, which is an overly narrow approach. The CMA's approach is too narrow because it only focuses on identifying some operating expenses that might better be classified as capital expenditure. This reclassified spending represents investment to build an intangible asset. In fact, the correct approach is to include a start-up loss asset (**SLA**) and also to include an asset generated by mature FOPs investing into intangibles.
- 4.4 In any case, the CMA's estimate of an SLA does not measure the full cost of market entry.
- (a) It does not account for the costs of Enabling Works. The CMA itself acknowledges this is a legitimate investment cost and so it should be included.
 - (b) It is based on an unrepresentative sample of six PAH FOPs, [REDACTED]. The experience of these FOPs does not provide an informative view of the start-up cost incurred by a typical FOP.¹⁹
- 4.5 To accurately estimate profitability, it is necessary to fully account for the true investment costs incurred to open a greenfield FOP. It is also appropriate to focus on systematic or market-wide profitability and so strip out profits that are due to unique efficiencies.
- 4.6 Table 3 below steps through the cumulative effect on the CMA's estimate of industry-wide ROCE of:
- (a) An adjustment for PAH's efficiencies (set out in Section 3 above).
 - (b) Using the CMA's own estimate of an SLA, rather than the CMA's 'bottom-up'

¹⁸ PAH's Response to Questions 1-7 of the Section 174 Notice (RF17), dated 23 September 2024. See paragraph 1.7 on page 6.

¹⁹ The CMA's estimate of an SLA also does not account for the fact that [REDACTED]. Annex 004 calculates the effect of adjusting for the management fees.

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estimate of intangible assets.²⁰

- (c) Two adjustments to the CMA's own estimate of an SLA that make the estimate more representative:
 - (i) First, to include enabling works; and
 - (ii) Second, to use a representative indication of earnings (in this case, using forecast earnings) in order to adjust for an unrepresentative sample of overperforming FOPs.

Table 3: The cumulative effect on the CMA's estimate of industry-wide ROCE of accounting for efficiencies and applying a more appropriate SLA

Measure	ROCE
CMA's baseline industry-wide ROCE	19%
(a) Adjusting for PAH's efficiencies	[REDACTED]%
(b) Using the CMA's SLA estimate	[REDACTED]%
(c)(i) Adjusting for enabling works	[REDACTED]%
(c)(ii) Adjusting for representative sample	[REDACTED]%

Notes: NERA analysis based on PAH data. See Confidential Annex 003 for details on calculations.

4.7 Accounting for these four factors would lead the CMA to estimate a materially higher SLA (and thus lower profitability). NERA estimates that these four adjustments would cause the industry-wide ROCE to fall from 19% to [REDACTED]%. This difference is important as the CMA uses economic profits to calculate customer detriment and to justify the proportionality of its package of remedies.

A Start-up Losses Measure the True Investment Cost of Opening a FOP

4.8 Beyond the upfront capital expenditure to purchase tangible assets, a greenfield FOP experiences an initial period of start-up losses. This period represents the legitimate costs that must be incurred to bring a greenfield FOP through to maturity. In PAH's experience, [REDACTED].²¹

4.9 The actual investment costs incurred by FOPs moving up the maturity curve is considerably larger than the CMA's approach to estimating an intangible asset. This difference arises because the CMA's approach is too narrow, and so only captures a subset of investment. The CMA's approach only attempts to identify a set of specific operating costs (such as marketing and staff training costs), which the CMA

²⁰ The CMA's bottom-up approach only reclassifies a share of operating expenditure as investment into intangible assets. This type of asset can apply to mature FOPs, but misses that the bulk of cost is incurred in the start-up phase.

²¹ This cost is effectively the opportunity cost of actual and economic losses (i.e., earnings below the cost of capital).

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reclassifies as capital expenditure. The intangible asset is then based on the reclassified capital expenditure and assumed depreciation rates.

- 4.10 While the CMA's approach is only focused on reclassifying costs as operating and capital expenditure; the actual (and efficient) investment costs of opening a FOP relate to the losses incurred. An accurate measure of profitability needs to account for the actual investment costs.²² One approach is to include an SLA, which capitalises the necessary period of costly start-up losses associated with market entry.²³ The SLA captures the full and efficient investment costs incurred to open a FOP (and bring that FOP to maturity).
- 4.11 For this reason, it is appropriate and conceptually correct to include an SLA in the capital employed. The SLA measures the capitalised value of *actual* investment costs. As a complement, a bottom-up approach can be used to measure investment in *additional intangibles* by mature FOPs.²⁴ A bottom-up estimation of intangibles is therefore not a substitute for estimating an SLA.²⁵
- 4.12 Naturally, the CMA's estimated SLA is much larger than its estimate of intangible assets (based on reclassifying operating expenses to capital expenditure). This is expected given [REDACTED].

B The CMA Does Not Account for all Investment in Tangible Capital

- 4.13 Enabling works are costs incurred by PAH, so that FOPs can be placed within retail stores.²⁶ The CMA accepts that it is necessary to account for enabling works when estimating the tangible capital employed of a FOP.²⁷ The CMA, however, does not include enabling works in the capital employed for the purpose of measuring start-up losses. The CMA, therefore, understates investment costs by not including all tangible capital in its estimate of the SLA.²⁸
- 4.14 Five of the six FOPs included in the CMA's sample are in-store FOPs and so have

²² An accurate measure of profitability requires a comparison between actual profits and actual investment costs. A FOP only makes excess profits if actual profits exceed actual investment costs. Otherwise profits simply reflect the necessary compensation for investment costs.

²³ An alternative, if many years of data were available, would be to estimate the full life cycle of profitability (e.g., an Internal Rate of Return).

²⁴ The CMA acknowledges that LVGs "are likely to have to incur on-going expenditure in order to avoid the decline of these assets over time." In this way, the CMA assumes that investment in intangibles by mature FOPs is sufficient to offset the depreciation of the start-up loss asset. This strikes us as a sensible and reasonable assumption. See paragraph 3.348.

²⁵ It would be appropriate to ensure there is no double-counting. This means it is correct to estimate the SLA using greenfield FOPs and then assess if there is additional investment into intangibles specific to mature FOPs.

²⁶ Examples of enabling work costs include (but are not limited to): building mezzanine levels; installing extra plumbing and electrical work; and fitting out elevators.

²⁷ CMA Financial and Profitability Analysis, paragraph 3.55.

²⁸ See paragraph 5.7(c)(ii) of PAH's Consolidated Response to the CMA's Financial and Profitability Analysis (of 1 May 2025), which explains PAH's view that the CMA was understating capital employed of greenfield FOPs by not including the costs of enabling works.

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capital expenditure associated with enabling works. On average, enabling works amounted to £[REDACTED] per in-store FOP.²⁹ In Annex 004, NERA has added enabling works into the CMA's own model of start-up losses, which results in the following two types of additional costs for the five in-store FOPs:

- (a) **c.£[REDACTED] due to the opportunity cost of capital.** There is an opportunity cost associated with the capital expenditure tied up in a FOP. This cost is equal to the additional capital tied up because of Enabling Works (£[REDACTED]) multiplied by the CMA's estimated WACC of 9%.
- (b) **c.£[REDACTED] due to additional depreciation.** The CMA estimates that a FOP's assets have a useful economic life of 16 years. An initial capital outlay of £[REDACTED] leads to an (average) yearly economic cost of £[REDACTED] associated with depreciation.

4.15 Table 4 below presents the CMA's own estimates and Table 5 below presents the revised estimates, which add enabling works. For the two factors listed above (opportunity cost of capital and depreciation), adding enabling works lowers yearly profitability (i.e., increases yearly losses). In total, the estimate of the SLA increases by roughly £[REDACTED] per FOP. The uplift of £[REDACTED] is conservative as PAH's in-store FOPs operate with a highly efficient footprint compared to standalone FOPs that make up most of the vet sector.³⁰

²⁹ PAH's RF17 response sets out the enabling works for each FOP. They were £[REDACTED] (Coalville); £[REDACTED] (Cumbernauld); £[REDACTED] (Saffron Waldon); £[REDACTED] (Glasgow); and £[REDACTED] (Whitstable).

³⁰ This means that in-store FOPs should have smaller start-up losses compared to comparable standalone FOPs. The use of these six PAH FOPs as a market-wide benchmark risks understating start-up losses in the industry more broadly.

Table 4: The CMA's estimate of Start-Up Losses (£ per FOP) as reported in Table 3.23 of Appendix C to the PDR

Site	Years since opening					TOTAL
	1	2	3	4	5	
Coalville	[REDACTED] D]	[REDACTED] D]				[REDACTED] ED]
Whitstable	[REDACTED] D]	[REDACTED] D]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]
Heanor	[REDACTED] D]	[REDACTED] D]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]
Cumbernauld	[REDACTED] D]					[REDACTED] ED]
Saffron Walden	[REDACTED] D]	[REDACTED] D]				[REDACTED] ED]
Glasgow Pollokshaws	[REDACTED] D]	[REDACTED] D]				[REDACTED] ED]
Average yearly loss	[REDACTED] D]	[REDACTED] D]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]

Notes: NERA analysis based on the CMA's Data Pack for the PDR.

Table 5: The CMA's estimate of Start-Up Losses (£ per FOP) after adding enabling works

Site	Years since opening					TOTAL
	1	2	3	4	5	
Coalville	[REDACTED] D]	[REDACTED] D]				[REDACTED] ED]
Whitstable	[REDACTED] D]	[REDACTED] D]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]
Heanor	[REDACTED] D]	[REDACTED] D]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]
Cumbernauld	[REDACTED] D]	[REDACTED] D]				[REDACTED] ED]
Saffron Walden	[REDACTED] D]	[REDACTED] D]				[REDACTED] ED]
Glasgow Pollokshaws	[REDACTED] D]	[REDACTED] D]	[REDACTED] ED]	[REDACTED] ED]		[REDACTED] ED]
Average yearly loss	[REDACTED] D]	[REDACTED] D]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]	[REDACTED] ED]

Notes: NERA analysis based on the CMA's Data Pack for the PDR.

C The CMA uses an Unrepresentative Sample of High Performing FOPs

4.16 The CMA's start-up loss estimate relies on an unrepresentative sample of six PAH FOPs that were [REDACTED].

4.17 By using this unrepresentative sample of FOPs, the CMA does not measure the true investment cost of opening a greenfield FOP. Instead, the CMA measures the ([REDACTED]) investment cost that applies to the specific out-turn of six [REDACTED].

4.18 To show the bias of using an unrepresentative sample, Figure 1 below plots the average revenue earned per FOP (y-axis) compared to the number of years since opening (x-axis). There are four different cohorts of PAH FOPs:

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- (a) Three different yearly cohorts of FOPs (FY17, FY18 and FY19). Each yearly cohort is represented by a green solid line (a different shading of green is used to distinguish each yearly cohort). The lines represent the average revenue per FOP.
- (b) The cohort of FOPs (opened in FY20), which is used by the CMA to estimate start-up losses. This cohort is represented by red lines. There are two different red lines:
 - (i) A solid red line, which is the average of *actual* revenue per FOP; and
 - (ii) A dashed red line, which is the average of *forecast* revenue per FOP.

4.19 Figure 1 below shows that the average revenue earned per FOP for the CMA's Start-up Loss sample is a clear outlier. The revenue per FOP [REDACTED] than all three previous yearly cohorts of FOPs *and* the *ex-ante* forecasts, which predicted the revenue profile of these FOPs.

4.20 [REDACTED] for these six PAH FOPs leads to [REDACTED] than would normally be expected. PAH previously submitted evidence that:

- (a) [REDACTED]; and
- (b) [REDACTED].³¹

4.21 One driver that helps to explain [REDACTED] is the unique circumstances surrounding the growth in pet ownership during the Covid-19 pandemic. The CMA itself notes that: "*Some estimates indicate that the proportion of UK households owning a pet increased from 41% in 2019/20 to 60% in 2023/24*"³² and that the "... boom in pet ownership" was one factor explaining rising profitability for the entire vet sector from 2020 to 2022.³³

4.22 The Covid-19 boom was particularly helpful for new FOPs relative to established FOPs. This is because, in PAH's experience, new greenfield FOPs typically scale up by attracting new pet owners.

4.23 The unique experience of this sample of six FOPs is thus not representative of the true investment costs related to opening a greenfield FOP.

³¹ See Table 3 and Figure 5 on page 25 of PAH's Consolidated Response to the CMA's Financial and Profitability Analysis (of 1 May 2025).

³² CMA, PDR Part A, paragraph 2.20(a), on page 27.

³³ CMA, PDR Part A, paragraph 7.53, on page 89.

Figure 1: [REDACTED]

Notes: NERA analysis based on PAH data. See Annex 005 for details on the calculations.

- 4.24 The CMA's small sample of six PAH FOPs [REDACTED], so does not represent the normal or replacement investment cost associated with opening a new FOP. The *ex-ante* forecasts of earnings, however, do provide a reasonable guide to 'normal' or expected earnings. For instance, the *ex-ante* forecast of revenue closely tracks the average out-turn of previous cohorts of FOPs (e.g., predicted revenue very closely tracks the earnings profile for the cohort of FY19).
- 4.25 To arrive at a more representative estimate of true start-up losses, NERA has replaced *actual* earnings with *forecast* earnings in the CMA's own model of start-up losses. The use of earnings forecasts leads to a much higher estimate of the SLA, which is [REDACTED]% higher at £[REDACTED] compared to £[REDACTED] using the out-turn (and including enabling works). The higher SLA represents the investment costs incurred for a more normal and representative sample of FOPs.

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5 PAH [REDACTED]

- 5.1 The CMA sets out its econometric analysis of insurer pricing in Appendix B of the PDR. The CMA undertakes analyses with two insurers – Insurer 1 and Insurer 2. We focus our comments specifically on the CMA’s first part of Appendix B where it compares the prices of LVGs with Independents.
- 5.2 The CMA’s existing analyses show that PAH is different to the other LVG5s. For example:
- (a) Table 2.3 and Table 2.4 show that [REDACTED] in the Insurer 1 data for ‘Average Price (£)’ and in the Insurer 2 data for ‘Claimed Value (£)’ and ‘First-year Treatment Cost (£)’. This is before ‘controls’ are added in the econometric analysis, but is still directionally useful.
 - (b) The CMA conducts analysis of Insurer 1 data to provisionally find that LVGs are 16.6% more expensive than Independents, which was the figure widely cited by the CMA in the press [REDACTED]. This Insurer 1 analysis also informed the 63% increase in average prices for FOPs between 2016 to 2023 (Figure 2.8) cited widely.
 - (c) The CMA conducts analysis of Insurer 2 data to provisionally find: *“Each of the six LVGs has higher first-year treatment costs compared to the average of independents [REDACTED]. Our analysis of variations in claim values yields similar results directionally, with the exception of [REDACTED] whose claim values do not appear higher than independents.”* (para 1.8).
- 5.3 Further, we note that the CMA’s Insurer 1 analysis, when correctly weighted to reflect customer expenditure share of treatments (rather than currently giving each of c.380 treatments an equal share), shows that [REDACTED]. This analysis is set out by NERA in Confidential Annex 001.
- 5.4 A customer expenditure share weighting makes more sense for consumers, and is also consistent with what the CMA itself does in the “Causal Effect of Corporate Acquisitions” section of Appendix B. For example, quoting from Appendix B (paragraph A.82 on pages 80-81): *“The rationale for this approach is that it gives more weight to treatments that have a greater potential impact on customer welfare. Treatments that account for a larger share of customer expenditure are likely to be more economically significant and therefore changes in their prices are more relevant when assessing potential harm to consumers.”* Therefore, moving to customer share weighting is consistent with the CMA’s approach elsewhere and in assessing harm to consumers.
- 5.5 Therefore, on various of the CMA’s analyses [REDACTED]. The other LVG5s remain more expensive than Independents. [REDACTED]. We will ask that this finding on [REDACTED] is more prominent in the CMA’s final report.

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- 5.6 A final concern is that the 63% average price increase shown in Figure 2.8 is based on a comparison of prices at selected FOPs over the 2016 to 2023 period. But only [REDACTED] FOPs in the CMA's sample of 1,237 belong to PAH (i.e. less than [REDACTED]% of the CMA's sample and less than [REDACTED]% of PAH's FOP portfolio), and so the price inflation cited over time really is not capturing PAH's experience or role as a competitively priced company in the market. PAH has succeeded in its local markets and greenfield growth via keeping prices low and competitive.

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6 MEASURES PROPOSED BY THE CMA TO INCREASE CONSUMER ENGAGEMENT AND CHOICE OF MOST SUITABLE FOPS AND HELP CONSUMERS CHOOSE THE MOST SUITABLE TREATMENTS, REFERRALS AND DIAGNOSTICS AND SUPPORT VETS TO PROVIDE APPROPRIATE AND TIMELY ADVICE (REMEDIES 1, 2(A), 2(B), 2(C), 2(D), 3, 4, 5(A), 5(B), 6)

A Require businesses providing veterinary services and online pharmacies to publish information on ownership (Remedy 1)

6.1 As set out in paragraph 2.9 of PAH's response to the RWP, PAH would support requirements for FOPs to display their ownership and network information clearly, both on their websites and at the practices to help pet owners make informed decisions based on transparent ownership.

6.2 PAH welcomes the fact that the CMA recognises that it already has clear and common branding across all Practices within the Vet Group.³⁴ All FOPs are clearly branded under the Vet Group's national brands ("Vets4Pets", "Vets for Pets" and "Companion Care").

6.3 It is important that this remedy does achieve a true level playing field and is not open to manipulation by LVG5s to minimise/hide the group ownership, for instance, we suggest that this remedy require the group ownership to be disclosed before the local FOP name (not after it).

B Require FOPs and referral centres to publish basic service information (Remedy 2a)

6.4 PAH supports a requirement for FOPs and referral centres to publish basic service information to support pet owner choice on websites and prominently and visibly in premises.

6.5 As set out in paragraph 2.11 of PAH's response to the RWP, PAH is not opposed to a requirement on vet businesses to publish information on PSS accreditations and awards to help pet owners in assessing the quality of care provided. PAH also does not object to a requirement to publish information on the advanced skills and expertise of individual vets and vet nurses within a practice.

C Require all FOPs, referral centres and crematoria to publish a standard price list for a defined selection of services (Remedy 2b)

6.6 PAH broadly welcomes the CMA's refinements to the design of the standardised price list as originally proposed in the RWP, however, PAH still believes that the proposed

³⁴ CMA's PDR – Part B ([15 October 2025](#)), para. 3.24.

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level of granularity is impractical and that the CMA should instead focus and limit the scope of the standardized price list on commonly offered and reasonably standardisable services in order to strike the right balance between what can be practically provided to pet owners that is useful to help them compare prices across FOPs.

- 6.7 For the reasons set out in paragraph 2.5 of PAH's response to the RWP, any requirement to include more complex or non-routine services in the price list would not, in PAH's view, be proportionate or, indeed, useful given the potential complexity and the fact that more advanced treatments will likely be less relevant for the majority of pet owners.
- 6.8 The CMA acknowledges that it would be possible to inform pet owners clearly via the price list that the price for any of the surgeries or treatments listed in category 3 may be adjusted upwards in more complex or complicated circumstances. Should the CMA proceed to include the specialist treatments and procedures in category 6 in the price list (notwithstanding PAH's comments above), it should also be possible to indicate that the prices of these services may need to be adjusted upwards should any unexpected complications arise. To provide two examples:
- (a) there are inherent clinical risks associated with surgical procedures that are not complications of the surgery itself but rather consequences of the underlying disease or physiological response. For example, in cruciate ligament repair surgeries such as Lateral Suture or TPLO, a delayed-onset meniscal tear can occur. This is a recognised risk of cruciate disease rather than a surgical error and is impossible to predict in advance. When it occurs, it may necessitate a secondary surgery or leave the animal with persistent pain and lameness;
 - (b) there is a risk of acute pancreatitis following anaesthesia (which applies to all surgeries rather than specialist procedures). Although rare, this condition can develop post-operatively and requires intensive treatment, including prolonged hospitalization and nursing care. In severe cases, referral for advanced interventions such as feeding tube placement may be necessary. For context, a recent case managed incurred costs exceeding £2,000 due to the complexity of care required. These risks highlight the unpredictable nature of certain post-operative complications, which cannot be entirely mitigated despite adherence to best practice standards.
- 6.9 As regards the comprehensiveness of the standardised prices, PAH believes that it would not be possible for all prices to represent the total charge for each of the defined services in the price list *"including any products or services that are provided to all pet owners as an essential element of the treatment, such as post-surgery pain relief or a*

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cone” as suggested by the CMA.³⁵ For example, the price of post-surgery pain relief would vary significantly depending on the severity of any unexpected complications and the characteristics of the animal under care. While publishing a range of indicative prices that could be charged, or an average price, would be possible, this would be misleading as pet owners may expect to pay this price notwithstanding unexpected complications, which may put additional stress on the relationship between veterinary professionals and pet owners, and publishing such a range may not be informative for pet owners as it could be sizeable. Therefore, in PAH’s view, the total charge for each of the defined services in the price list should not include elements of the relevant treatments where such elements can often greatly vary in individual cases.

- 6.10 While PAH agrees with the CMA’s proposal for the price list being made available to all existing and prospective customers on the practice website and on in-practice materials, PAH does not believe that the price list should be made available in all digital communications regarding appointments. Practices within the Vet Group send appointment reminders and other reminders via text message to pet owners and PAH does not consider it appropriate to include this information in a text message as the format is too short and there are character limits for standard text messages. It would be feasible to include in text messages a direct link to the price list on the FOP’s website however, PAH believes that this should only be required in the case of text messages confirming bookings rather than all text messages, as some Practices will follow-up with pets owners following an appointment by text message and it would not be appropriate to include a direct link to the price list in all such communications.

D Require FOPs to publish prices for all preferred parasiticides (Remedy 2c)

- 6.11 PAH does not support the CMA’s proposal to require all veterinary businesses operating FOPs that sell parasiticides directly to pet owners to publish the current prices for all preferred parasiticide medicine products (i.e., flea, tick and worming treatment) on each FOPs’ website.
- 6.12 The prohibition on advertising POM-V medicines to pet owners in the Veterinary Medicine Regulations 2013 (**VMRs**) makes it difficult to provide pricing for parasiticides as providing pricing based on specific prescribed veterinary medicines is likely to be contrary to the prohibition (notwithstanding that the Veterinary Medicines Directorate’s (**VMD**) guidance on advertising veterinary medicines legally does not regard price lists as advertising materials).³⁶ This is because it is necessary to include a list of all products in a particular category and ensure that all products are listed with equal prominence for a price list not to be considered as advertising material.³⁷ Therefore, the CMA’s proposal for all businesses operating FOPs to publish, for each FOP, prices

³⁵ PDR, Part B, paragraph 3.58.

³⁶ [VMD Guidance, Advertise veterinary medicines legally, published 1 June 2015, last updated 9 October 2025.](#)

³⁷ *ibid.*

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(including VAT) for all preferred parasiticide products that they recommend or dispense to customers seems contrary to the prohibition on advertising in the VMRs in PAH's view.

- 6.13 As noted in PAH's consolidated response to the CMA's WPs,³⁸ PAH does not limit its Practices to only choose from a limited range of 'preferred products', although PAH's supplier relations team will often be able to negotiate relatively more favourable purchase costs for certain products and from certain suppliers. Naturally, JV Practices are more likely to prescribe these products with favourable purchase costs due to their cost advantage. However, each JV Practice has the freedom to choose the medicines that they stock and prescribe and price the medicines as they wish (i.e., with reference to local FOP competition and online pharmacy competition) as they have pricing, clinical and operational autonomy. Indeed, vet practitioners' choice of parasiticides will vary according to clinical preferences, the contextual appropriateness of treatments based on the pet's lifestyle, regional considerations and other factors.
- 6.14 Since PAH does not limit its Practices to only choose from a limited range of 'preferred products', PAH understands that each of its Practices will be required to publish prices (including VAT) for the preferred parasiticide products most commonly prescribed by that Practice for four standardised pet characteristic categories: cat, small dog (0-20kg), medium dog (20-40kg) and large dog (>40kg). which risks being impractical given the variability in prescribing practices and the absence of a single preferred parasiticide across each of the animal profiles for the Vet Group as a whole.
- 6.15 Further, parasiticides are not often sold in the proposed pet characteristic categories. For example, Advocate is sold in packs of <4kg and >4kg for cats and <4kg, 4-10kg, 10-25kg and 25-40kg for dogs. The prices can also depend on the number of treatments in a packet, which could open the possibility that a FOP could publish the price for the cheapest pack size but sell a smaller pack which is more expensive.

E Require FOPs to publish information about pet care plans (Remedy 2d)

- 6.16 PAH considers that the CMA's proposed requirement for veterinary businesses operating FOPs offering pet care plans to publish clear, comprehensive information about those plans both online and in-practice strikes a balance between transparency and feasibility and ensures that pet owners can assess pet care plans without imposing unnecessary complexity or cost on vet practices. As set out in paragraph 2.20 of PAH's response to the RWP, PAH would welcome a requirement for FOPs to publish price information relating to each component alongside the pet care plan as this would enhance competition by improving the comparability of plans between providers and allow PAH to further demonstrate the value of its plans to pet owners.

³⁸ PAH consolidated response to CMA WPs dated 21 March 2025, paragraph 2.54.

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F Require FOPs and referral centres to submit information to the RCVS for the RCVS to publish on an enhanced Find a Vet platform and share to selected third parties (Remedy 3)

- 6.17 As competition between veterinary practices principally takes place at the local level,³⁹ in PAH's view, Remedies 1 and 2a-d alone would increase the availability of information and provide significant benefits for pet owners such that proposed Remedy 3 is not necessary, since pet owners will be well able to carry out online research using search engines and AI systems to shop around if they wish to. Therefore, PAH does not consider that this will sufficiently enhance the effectiveness of these other remedies such that the benefits will outweigh the administrative costs incurred by FOPs.
- 6.18 Requiring FOPs to submit the information specified by the CMA in Remedies 1 and 2a-d in a specific format to the RCVS for the RCVS to publish on an enhanced Find a Vet platform and share to selected third parties would be an onerous undertaking for FOPs and would likely result in high administrative costs being incurred to set this up and maintain on an ongoing basis to ensure that the information is up-to-date – such additional costs are likely to be passed on to pet owners in the form of higher prices for veterinary services. As the format of the information specified by the CMA is standardized, online research by pet owners will not be burdensome such that PAH does not believe that the remedy is proportionate to its aims since it would not, in any meaningful way, enhance pet owners' ability to compare FOPs in terms of price, quality and other comparables.
- 6.19 PAH does not believe that a sufficient number of pet owners and other stakeholders will use an enhanced Find a Vet platform such as to justify the imposition of this burden and cost on FOPs and referral providers.

G Require the RCVS to commission and publish the results of a group-level pet owner survey (Remedy 4)

- 6.20 PAH has serious misgivings with respect to the CMA's proposal to require the RCVS to commission and publish the results of a group-level pet owner survey, including group-level comparisons between each LVG (including PAH) individually and with independents as a cohort.

No justification for publicizing PAH survey results at group level

- 6.21 Firstly, the CMA is not justified in treating PAH as an LVG for the purposes of this remedy. The CMA's reasoning for publicizing for each LVG (including PAH) the survey

³⁹ A pet owner's choice of veterinary practice will be limited to those located within the geographic area where the pet owner is willing (and able) to travel. This is shown by 68% of respondents to the CMA's pet owners survey noting that location was a relevant factor when choosing a veterinary practice, with the highest proportion (34%) noting location was the main reason for their choice.

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results⁴⁰ is simply not applicable to PAH, given its structure and the fact that most of its Practices are JV Practices with autonomous Practice owners, as explained above.

6.22 The unfairness of treating PAH as a single LVG for these purposes, [REDACTED].

Client sentiment surveys should not be used as a primary measure of veterinary care quality

6.23 Client sentiment surveys primarily capture perceptions and experiences rather than objective clinical outcomes. While they provide useful insights into customer service and communication, they do not accurately reflect the standard of veterinary care delivered. Several factors limit their suitability as a measure of quality:

- (a) **subjectivity of responses:** sentiment is influenced by personal expectations, emotional states, and financial considerations rather than clinical accuracy or adherence to best practice. A client may rate care poorly due to cost or an unfavourable prognosis, even when treatment was clinically appropriate and delivered to the highest standard;
- (b) **limited understanding of clinical complexity:** veterinary medicine involves complex decision-making, risk management, and evidence-based protocols that clients often cannot fully assess. For example, a negative outcome may result from the progression of disease rather than the quality of care, yet surveys rarely distinguish between these factors;
- (c) **bias toward non-clinical factors:** surveys tend to emphasise convenience, communication style, and perceived empathy, which are all important aspects of service but not indicators of clinical competence, surgical success rates, or adherence to regulatory standards;
- (d) **unrepresentative sampling:** responses often come from a small, self-selecting group, which can skew results. Dissatisfied clients are more likely to respond, creating a disproportionate view that does not reflect the broader population or actual care quality; and
- (e) **risk of misinterpretation:** using sentiment data as a proxy for clinical quality can lead to misleading conclusions and inappropriate regulatory or commercial decisions. Objective measures, such as compliance with clinical guidelines, patient outcomes, and audit data are far more reliable indicators.

6.24 In summary, while client feedback is valuable for improving communication and service

⁴⁰ E.g. see PDR, Part B, para.3.193(ii): “[The LVGs] ownership and control of the individual FOPs ...would give them the incentive and ability to lower prices, improve quality or offer greater value...so as to improve their results...”.

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delivery, it should not be used as a primary measure of veterinary care quality. Clinical standards and outcomes must remain the benchmark for assessing professional performance.

The Remedy 4 survey will not be helpful for customers, who need local information

- 6.25 PAH does not believe that average customer satisfaction at group-level will provide pet owners with a helpful indication of satisfaction levels at specific Practices within the Vet Group or enable pet owners to compare quality and cost measures at the local level where competition between veterinary practices principally takes place. Many review platforms that compare quality and cost metrics based on customer feedback already exist and enable pet owners to compare FOPs at the local level where competition between veterinary practices principally takes place. Therefore, it is not obvious that a group-level pet owner survey would add further value to the pet owner experience as this information is already easily available to pet owners via the internet. Google Reviews allows pet owners to leave star ratings and feedback on FOPs' Google Business Profiles that appear on Google Search and Google Maps. Trustpilot and Yelp also allow pet owners to leave star ratings and feedback on FOPs. Since reliable customer feedback on key quality metrics is already available to pet owners when choosing which FOP to use at a local level, PAH believes that this remedy is superfluous and that the costs incurred by the LVGs in funding this survey are disproportionate to the remedy's aims.
- 6.26 Furthermore, the use of AI-driven analytics can provide a clear and concise overview of each FOP (including by integrating Google review and PSS accreditation data sources), ensuring a balanced and evidence-based assessment of local care standards.

CMA's aim would be better achieved by a combination of local Google reviews alongside PSS accreditation

- 6.27 PAH recommends, as a more useful and effective alternative to Remedy 4 as currently proposed, a combined approach that relies on the widespread availability (including using online/AI search tools) of:
- (a) local Google Reviews for local service perception and customer sentiment information; and
 - (b) PSS accreditation (and practice staff qualifications and professional accreditations) information (Remedy 22a), which provides an objective, audited measure of clinical governance and quality;

which, together with the widespread availability (including online) of local FOP standardised price lists (Remedy 2b), will effectively put pet owners in a position to make properly informed choices within the local FOP markets.

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7 MEASURES TO HELP CONSUMER CHOOSE THE MOST SUITABLE TREATMENTS, REFERRALS AND DIAGNOSTICS AND TO SUPPORT VETS TO PROVIDE APPROPRIATE AND TIMELY ADVICE

A Requirement to provide pet owners with a written estimate of the total cost of any treatment which is likely to be £500 or more (including VAT) and give them an update if the estimated cost increases by 20% or £500 (whichever is lower), and recommendation for the RCVS to reflect this in Codes and Guidance (Remedy 5a)

7.1 PAH understands rationale underpinning the CMA's proposal to require veterinary businesses to ensure that pet owners are provided with a written estimate of the total cost of any treatment which is likely to be £500 or more (including VAT) and give them an update if the estimated cost increases by 20% or £500 (whichever is lower) and to recommend to the RCVS that it amends the Codes and Guidance to reflect this requirement.

7.2 While JV Practices are ultimately free to determine how they provide estimates, the Vet Group provides guidance on providing estimates and how to create estimates in the practice management system.⁴¹ PAH therefore believes that its Practices do provide pet owners with clear and accurate information about different treatment options and services in advance.

7.3 PAH agrees with the CMA that there should be no requirement to provide a written estimate if the treatment is urgent, and any delay would, in the vet's clinical judgement, seriously adversely affect the animal's health and welfare.⁴²

7.4 However, PAH is concerned that this Remedy proposal does not account for the reality that rarely in complex treatments are plans foreseeable and may have to be changed frequently (sometimes on a daily basis). PAH's Practices do already update pet owners as the treatment journey evolves but PAH is concerned that the expectations which will be set by the fee estimate proposed in Remedy 5a may set inappropriate pet owner expectations.

7.5 However, PAH disagrees with the CMA's proposal not to require a written estimate to be provided if a pet owner has explicitly stated that they do not wish to receive one (and PAH expects that it will recommend to Practice owners that a written estimate be provided in such circumstances).⁴³ Encouraging pet owners to decline estimates could undermine transparency and create animal welfare risks.

⁴¹ A number of Practice Owners provided PAH with examples of how they provide estimates – see PAH's response to Q14 of RFI1.

⁴² PDR Part B, para. 4.19(b).

⁴³ *ibid.*

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- 7.6 PAH agrees that the requirement to provide written estimates should be limited to the treatment option which is being recommended and considered and that the pet owner should not be provided with written estimates for multiple possible treatment options simultaneously.⁴⁴
- 7.7 The CMA's acknowledgement that it may be more difficult and time consuming to obtain and provide the same level of detail when the recommended treatment involves a referral outside the FOP, and the CMA's proposal to address this ⁴⁵, does not go far enough. It is simply not workable or manageable (or fair) for non-vertically integrated FOPs to be required to provide fee estimates for the services of an external service provider and the workflow that would be involved in attempting to do this would be very time-consuming and burdensome.

B Itemised billing (Remedy 5b)

- 7.8 PAH welcomes the CMA's proposal to require veterinary businesses to give pet owners itemised bills for their pet's treatments and other services they receive and its recommendation to the RCVS that it amends the Codes and Guidance to reflect this requirement. Practices within the Vet Group already provide itemised bills that contain sufficient detail to enable the pet owner to understand the cost of the components of the bill by reference to each service and treatment provided and the associated costs.

C Ensuring vets and vet nurses can offer a range of treatment options (Remedy 6)

- 7.9 PAH supports the CMA's proposal to require veterinary businesses to put in place written policies and processes to ensure their vet professionals are able to act in accordance with relevant provisions of the RCVS Codes and Guidance including giving pet owners independent and impartial advice and a range of treatment options where appropriate.

⁴⁴ PDR Part B, para. 4.20.

⁴⁵ That in these circumstances, if it is reasonably foreseeable that the total price of the treatment would be £500 or more, based on the relevant vet's or vet nurse's understanding of the animal's condition, of the treatment and of the market for such services, the written estimate should only be required to include a reasonable indication of what the treatment would typically be expected to cost (with appropriate disclaimers) and an indication of any services or components for which the referring vet or veterinary nurse is unable to provide an estimate based on their knowledge (PDR Part B, para. 4.26).

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8 MEASURES PROPOSED BY THE CMA TO OPEN THE MEDICINES MARKET TO GREATER COMPETITION AND HELP CONSUMERS GET THE BEST PRICES (REMEDIES 7 – 11)

8.1 Please refer to Section 2 above as regards to PAH's fundamental issues to these proposed remedies. This section provides additional commentary and context to those observations.

8.2 In addition, as a general comment, there is potential for the Windsor Framework to make it harder for online pharmacies to supply into Northern Ireland so the CMA should ensure this is factored into its thinking.

A Information measures to increase awareness of online pharmacies and the amount that can be saved by using an online pharmacy rather than purchasing from the FOP (Remedy 7)

8.3 As set out in paragraph 3.2 of PAH's response to RWP, PAH believes its medicine pricing is fair, appropriate, and competitive (as it needs to be in what is a competitive FOP market). PAH faces strong competition from online pharmacies as customers can and do request written prescriptions to purchase medications online.⁴⁶ Even though there exists strong (and growing) price competition from online pharmacies, PAH understands that the CMA's pet owners survey evidence suggests not all customers are fully aware of online pharmacy options⁴⁷ (noting that all PAH FOPs do advertise this option, e.g., through signage within FOPs).⁴⁸ With this in mind, PAH is not opposed to proportionate improvements to access to alternative dispensing options (such as online pharmacies).

8.4 In particular, although PAH does support proposals for additional literature informing pet owners of their ability to request a written prescription, PAH believes that the remedy design should be proportionate and consistent with a fair and competitive market. The CMA's current proposals for excessive reminders including in text messages and emails in FOPs' communications with pet owners is, in PAH's view, inappropriate and blurs the line between clinical communications and marketing. FOPs should not be required to include standardised text at the end of each message (to inform consumers that they can request a written prescription to enable them to buy medicine elsewhere and note that further information is available on the RCVS website) in communications that are unrelated to purchasing medicines, e.g., reminding a pet owner of an upcoming appointment, notifying them of the need for annual vaccinations, or providing updates about the practice. In addition, the format of text messages in particular is too short and there are character limits that make doing

⁴⁶ [PAH's consolidated response to the CMA's Working Papers published on 6 February 2025](#), para. 2.69.

⁴⁷ PDR Part B, para. 5.12.

⁴⁸ [PAH's consolidated response to the CMA's Working Papers published on 6 February 2025](#), para. 2.70.

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this impractical.

- 8.5 PAH believes that the provision of additional literature to pet owners ahead of their arriving at a vet practice and the presence of notices within the practice waiting room should be sufficient to increase pet owners' awareness of their ability to request a written prescription in all cases without the need for a requirement for vets to inform pet owners orally during the consultation of their ability to request a written prescription. In PAH's view, such a requirement would undermine clinical focus and animal welfare as pet owners are focused on their pets' health during consultations, and introducing commercial messaging at this point is intrusive and would detract from animal welfare. PAH would not object to pet owners being made aware of their ability to request a written prescription at reception following their consultation.
- 8.6 While pet owners should be aware of their ability to request written prescriptions, in PAH's view, compelling FOPs to promote their competitors' online pharmacy businesses will have the effect of distorting competition and disproportionately benefiting the vertically integrated LVG5s with online pharmacy businesses who will be able to free-ride on the marketing efforts of their competitors as well as self-preference their own inhouse pharmacies. There is also a risk of price inflation for medicines sold by online pharmacies as more pet owners purchase medicines online under the illusion that it may be significantly cheaper to buy prescription medicine online.

B Measures to reduce barriers to pet owners purchasing online (Remedy 8)

- 8.7 In PAH's view, a requirement to provide pet owners who request a written prescription with either a hard-copy by the end of the consultation, or a digital copy by the end of the same day, is operationally impractical and risks compromising animal welfare.
- 8.8 Some POM-V medicines are controlled drugs which are substances defined in the Misuse of Drugs Regulations 2001 and the Misuse of Drugs Regulations (Northern Ireland) 2002. Some of these are widely and routinely used in veterinary and human medicine. Writing prescriptions for controlled drugs requires diligence and the process is different to prescribing non-controlled POM-V medicines. When prescribing controlled drugs, regulatory requirements mandate that the animal must be physically examined before issuing the prescription for the first time or when making any dosage change. In contrast, for non-POM-V medications (excluding parasiticides and antibiotics), dosage adjustments can be made following a discussion with the client without a repeat physical examination.
- 8.9 Controlled drug prescriptions are subject to additional restrictions. The prescribing vet can only prescribe incremental amounts, meaning that dispensing more than 28 days' supply requires structuring the prescription into batches that the pharmacy can release every 28 days. This involves complex date calculations and significantly increases the

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time required compared to non-controlled drug prescriptions. Furthermore, controlled drug prescriptions are valid for only 28 days, whereas non-controlled drug prescriptions can remain valid for up to six months. This shorter validity period often results in clients requesting new prescriptions, sometimes expecting these to be free of charge, which can create administrative burdens and increase the risk of duplication or fraud.

- 8.10 While writing prescriptions for non-controlled drugs is generally straightforward, the clinical decision-making process can be complex, particularly in cases of polypharmacy. When an animal is on multiple medications for the same condition or different conditions, we must carefully assess potential interactions and risks. This may require additional research or consultation with pharmaceutical companies, as information is not always readily available. These factors make non-controlled drug prescribing time-consuming and clinically demanding, despite the absence of the regulatory complexities associated with controlled drugs.
- 8.11 In addition, the realities of the workflow in a FOP clinic are such that vets are often in back-to-back consultations and pushed for time, so providing a prescription immediately following a consultation would necessarily impact consult time and animal welfare as a result. Accordingly, PAH believes that a time frame of 24 to 48 hours would be more appropriate than by the end of the consultation or by the end of the same day. The process for obtaining POM-V medicines is not analogous to the process for obtaining human medications.
- 8.12 Contrary to the CMA's provisional view that increased usage of written prescriptions would not increase the likelihood of fraud,⁴⁹ mandating written prescriptions with either a hard-copy by the end of the consultation, or a digital copy by the end of the same day, without robust security protocols, would increase the risk of fraud. For instance, electronic prescriptions can be intercepted, altered, or duplicated, with independent practices being particularly vulnerable if they lack integrated systems or secure transmission channels (and emailing prescriptions direct to an online pharmacy, while safer from a fraud prevention perspective, does for instance require obtaining pet owner data privacy). This creates vulnerabilities that could lead to counterfeit medicines entering the supply chain, exposing pets to health risks and undermining trust in the market. Large vertically integrated veterinary groups have the infrastructure to mitigate these risks, but smaller independent practices do not, resulting in a disproportionate compliance burden for independent practices. These security concerns should be considered by the CMA before this remedy is finalized.
- 8.13 PAH believes that the cost of implementation will be higher for non-vertically integrated LVGs and independents as the vertically integrated LVGs will be able to link their

⁴⁹ PDR Part B, para. 5.141.

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practice management systems directly to their online pharmacies enabling automated prescription preparation immediately after a consultation. This structural advantage means that the vertically integrated LVGs can comply with the CMA's proposed requirement at minimal cost and effort and will likely result in self-preferencing to the detriment of pet owner choice.

C Choice of default for repeat prescriptions (Remedy 10)

- 8.14 PAH agrees with the principle that pet owners should be given the choice of whether their default for repeat prescriptions is a written prescription or dispensing in-clinic. PAH also supports a requirement for FOPs to contact all registered customers and send them standardised literature explaining what a repeat prescription is and how the default option works as well as a reminder on an annual basis informing pet owners of their default and that they can change their choice either by contacting their FOP, or at their next consultation. However, if the pet owner does not choose, PAH strongly objects to their default being a written prescription, and PAH does not support the CMA's proposal to require FOPs to inform pet owners that it is often significantly more expensive to buy repeat medication from a FOP.
- 8.15 PAH believes that setting the default choice to written prescriptions for repeat prescriptions where no preference is expressed by a pet owner is perverse and contrary to animal welfare. There remains real customer value in the convenience and immediacy of combined prescribing and dispensing in-clinic as this ensures immediate access and proper administration guidance – in PAH's view, these benefits are the reason why most pet owners purchase medicines in-clinic. Mandating the default position to written prescriptions for repeat prescriptions undermines pet owner choice and risks delays in treatment which could be detrimental to animal welfare. In PAH's view, if a pet owner does not choose, the default should be dispensing in-clinic to ensure optimal outcomes for animal welfare.

9 PRESCRIPTION PRICE CONTROLS

A Prescription price cap (Remedy 11)

- 9.1 As set out in paragraph 3.19 of PAH's response to the RWP, providing a written prescription is a bespoke process which requires time, consideration and professional judgement, which, therefore, adds work relative to dispensing within the FOP.⁵⁰ As it is important for FOPs to charge a prescription fee to recover the clinical costs involved with prescribing, PAH welcomes the CMA's provisional decision to allow for a prescription fee to be charged rather than a prohibition on charging for prescriptions. However, PAH believes that the CMA's proposals:
- (a) to set the cap in the lower quartile of prescription fees across the market is disproportionately low; and
 - (b) to require that only a single prescription fee be charged per consultation, fails to adequately reflect the complexity of the prescribing process, particularly in circumstances where multiple medicines are being prescribed as part of a treatment. For instance, if multiple POM-V medications are required as part of a treatment, the prescribing vet will need to consider the pharmacodynamic interactions and pharmacokinetic interactions in addition to the underlying comorbidities and the characteristics of the pet. The prescribing process will necessarily be more complex and will take longer. In PAH's view, the remedy should be designed in such a way as to allow for additional incremental charges in circumstances where multiple POM-V medications are being prescribed as part of a treatment to reflect the greater level of clinical input required.
- 9.2 PAH agrees that smaller veterinary businesses operating FOPs should not be excluded from the scope of any prescription fee price cap. If smaller veterinary businesses operating FOPs were excluded, this would distort the market and undermine the remedy's effectiveness.⁵¹ The prescription fee price cap should apply to all veterinary businesses operating FOPs.
- 9.3 PAH agrees with the CMA that the level of prescription fee price control over time should take account of changes in the market and that increasing the price control by inflation (CPI) would be a suitable proxy for the increases in costs across the market.⁵²
- 9.4 Finally, PAH disagrees with the CMA's rejection of regional variations in the price cap in favour of a single national prescription fee cap (with no regional adjustments). The PDR acknowledges⁵³ that there are regional variations in important costs such as

⁵⁰ [PAH's consolidated response to the CMA's Working Papers published on 6 February 2025](#), para. 2.58.

⁵¹ PDR Part B, para. 6.32.

⁵² PDR Part B, para. 6.33.

⁵³ PDR, Part B, paragraph 6.35.

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wages (and other significant costs, such as rent, can also vary considerably by location) and the logic for not taking this into account seems thin (while there are also wage variations across seniority of role, for each role there will be regional wage variations). PAH therefore believes that the level of price cap should differentiate between low cost -v- high cost locations (e.g. highly urbanized locations tend to have higher costs, so the cap should be higher there).

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10 MEASURES PROPOSED BY THE CMA TO FACILITATE FOPS SWITCHING OUT-OF-HOURS PROVIDER AND MEASURES TO FACILITATE BEST PET END OF LIFE CHOICES FOR PET OWNERS

A Requirement not to use for new (or enforce for existing) out-of-hours contracts notice periods which are longer than 12 months, with no payments required unless a FOP stops using the services before the notice period expires (Remedy 12)

10.1 [REDACTED].

10.2 [REDACTED]⁵⁴, [REDACTED]⁵⁵. [REDACTED]. [REDACTED].

B Transparency on the options and fees for cremations and ensuring that all pet owners have the option of a communal cremation (Remedy 13)

10.3 PAH believes that transparency regarding the price of communal cremations and individual cremations is both important and beneficial to pet owners. PAH welcomes the CMA's provisional decision to require all veterinary businesses operating a FOP to offer the option of a basic communal cremation, make pet owners aware of all the options available to them when their pet reaches the end of its life and publish the prices for the communal and individual cremations which they offer. PAH also supports a requirement to allow pet owners a period of two working days to make a decision and provide a one working day 'cooling off' period during which a pet owner can change their mind where practical and reasonable to do so.

⁵⁴ PDR, Part B, paragraph 7.21.

⁵⁵ PDR, Part B, paragraph 7.20.

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11 MEASURES PROPOSED BY THE CMA TO IMPROVE PET OWNERS' ABILITY TO COMPLAIN AND RECEIVE REDRESS IF THEY ARE UNHAPPY WITH THEIR PET'S CARE (REMEDIES 14 – 15)

A Requirement for all veterinary businesses operating FOPs to publish an in-house complaints process for each of its FOPs which meets certain minimum criteria and provide this to pet owners (Remedy 14)

11.1 PAH would support a requirement for all veterinary businesses operating FOPs to publish and provide to pet owners an in-house complaints process for each of its FOPs which meets specified minimum criteria. This is already the case for PAH's Practices⁵⁶

11.2 In PAH's view, the CMA's proposal to require FOPs to issue a full response to an actionable complaint no longer than eight weeks after receiving the complaint is too short. PAH believes that twelve weeks minimum would be an appropriate and reasonable timeframe with the possibility of extending the timeframe by an additional six weeks where a pet morbidity review is carried out. A morbidity review typically involves a practice-based meeting and series of interviews where veterinarians and their teams discuss cases involving unexpected death, serious complications, or safety incidents to identify the cause and how to improve future care and prevent similar issues from happening again. Fair, effective and supportive post-incident investigations are the cornerstone of PAH's just and learning culture. PAH uses a systems-based approach to build accurate timelines, review all relevant documentation, and conduct structured interviews with multiple stakeholders to uncover systemic contributory factors. This ensures accountability is balanced fairly and recommendations genuinely mitigate future risks, while allowing time to support colleagues affected by emotionally distressing incidents. A twelve week timeframe reflects evidence-based best practice in safety-critical industries such as healthcare, ensuring investigations are thorough, fair, and focused on learning rather than blame. The extended time period in these circumstances also reflects the need to acknowledge the impact of the emotional toll of cases involving an unexpected death, serious complications or safety incidents on the local clinical team.

B Requirement for all veterinary businesses operating FOPs to engage in mediation in good faith in cases where the pet owner's complaint is not resolved in-house and the pet owner wishes to engage in mediation (Remedy 15)

11.3 PAH supports effective and proportionate redress appropriate to the individual circumstances of the case. PAH does not support a requirement for all veterinary businesses operating FOPs to engage in mediation in good faith in cases where the

⁵⁶ See PAH's consolidated response to RF117 (09.05.2025), para. 42.3. Practices within the Vet Group maintain their own complaints handling policies and the Vet Group is only involved in supporting Practices with the resolution of complaints that are escalated to the Clinical Resolutions Team and Client Services Team, or if a Practice has requested support in dealing with a particular complaint.

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pet owner's complaint is not resolved in-house and the pet owner wishes to engage in mediation. In PAH's view, mediation should remain a voluntary process for both pet owners and veterinary businesses.

- 11.4 Although the CMA has acknowledged that complaints should only progress to mediation when certain criteria are met in order to reduce the risk of inappropriate claims being mediated,⁵⁷ in PAH's view, the remedy design should include a mechanism for FOPs to demonstrate that due process has been followed to the ADR provider, which if it has been evidenced, should be sufficient to ensure that the relevant FOP is not required to engage in mediation. PAH believes that this should be in addition to the proposed limitation on the obligation on veterinary businesses to mediate complaints where the ADR provider considers that the complaint is frivolous or vexatious.⁵⁸
- 11.5 As set out above, the Vet Group is only involved in supporting Practices with the resolution of complaints that are escalated to the Clinical Resolutions Team and Client Services Team, or if a Practice has requested support in dealing with a particular complaint. However, notwithstanding this, [REDACTED]. Therefore, in order to avoid a significant backlog of cases, PAH believes that the CMA should require ADR providers to decide whether a complaint is frivolous or vexatious and whether due process has been followed such that mediation is not required within five working days. The CMA should also consider limiting the time period in which actionable complaints must be made under the minimum criteria for the in-house complaints process in Remedy 14 to further minimise the resource burden on FOPs.
- 11.6 Finally, PAH suggests that the complainant should bear some of the mediation cost, again to act as a disincentive to frivolous/vexatious complaints.
- 11.7 These suggestions are aimed at ensuring this remedy does not impose excessive cost and administrative burden on FOPs.

⁵⁷ PDR Part B, para. 9.59.

⁵⁸ *ibid*, para 9.61(d).

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12 MEASURES PROPOSED BY THE CMA TO PROVIDE A REPLACEMENT STATUTORY REGIME FOR THE EFFECTIVE REGULATION OF VETERINARY SERVICES

A Recommendation to the UK government, in consultation with the Scottish Government, Welsh Government and Northern Ireland Executive as appropriate, to establish a replacement statutory regime for the regulation of veterinary services for household pets (Remedy 17)

- 12.1 PAH supports extending the RCVS' statutory remit from individual practitioners to FOP businesses and their owners.⁵⁹ Subject to amending the CMA's proposed Standards for Veterinary Businesses to reflect PAH's comments set out above, PAH believes that extending the regulatory framework to bring veterinary businesses within its remit (in addition to the regulatory provisions that already exist for individual veterinary professionals) would be an effective and proportionate way of ensuring that there is a connection between those with responsibilities under the regulatory framework and the FOP owner (noting the points made at Section 2 above that the compliance responsibility should be at the correct level).
- 12.2 In addition to the Standards for Veterinary Businesses, PAH would support an effective voluntary accreditation scheme which enables consumers to understand the relative quality of the services provided by veterinary businesses beyond this baseline level. Vet businesses should be able to voluntarily seek additional quality accreditations and awards for aspects of their services which exceed the baseline level.⁶⁰ PAH agrees with the CMA that the existing PSS framework could provide the starting point for the development of those enhanced additional voluntary accreditations which would enable veterinary businesses to distinguish their practices by conveying the different qualities of services they provide.⁶¹
- 12.3 As regards the effective enforcement of regulatory rules against both individual professionals and businesses, PAH is open to remedies which bolster the RCVS' ability to monitor and enforce compliance with regulatory requirements and to impose sanctions in cases of clear and material proven infringements.⁶² However, as set out in paragraph 5.7 of PAH's response to the RWP, in order to be proportionate, monitoring systems should be designed so that there should be a presumption in favour of constructive engagement with FOPs, with intrusive enforcement action (e.g. inspections) reserved for the most serious cases and where there is a genuine concern that constructive engagement will not be productive. Further, it will be very important that any such new enforcement powers are introduced sensitively and with full and

⁵⁹ [PAH's consolidated response to the CMA's Working Papers published on 6 February 2025](#), para. 6.18.

⁶⁰ PAH's Response to the RWP, para. 5.5.

⁶¹ PDR Part B, para. 10.36.

⁶² [PAH's consolidated response to the CMA's Working Papers published on 6 February 2025](#), para. 6.25.

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ongoing consultation of FOPs as to how they are used, given that FOPs will inevitably be alarmed at some of the new enforcement powers being proposed.

- 12.4 PAH also has concerns regarding the wide range of sanctions which the CMA is provisionally considering recommending to support enforcement of non-compliance with respect to veterinary businesses and vets and veterinary nurses. PAH considers that these sanctions will have the potential to significantly add to the costs of running a FOP business, which would likely deter new entry, particularly by independent FOPs and so could actually [REDACTED]. These sanctions could also deter entry into the veterinary industry and potentially result in vets and veterinary nurses simply leaving the profession, which would put upwards pressure on salaries to attract and retain talent. In PAH's view, in order to avoid these outcomes, it is necessary to design appropriate thresholds for enforcement action depending on the severity of non-compliance.
- 12.5 Finally, the CMA might (as PAH has previously suggested) consider recommending to Government additional measures to address the shortage of veterinary professionals (see PAH's Issues Statement response at para.12(d)(i)(A)(B)(D)).

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13 RCVS LEVY

- 13.1 The proposed industry levy to cover the RCVS' costs of monitoring the eventual CMA Order (and expanding Find a Vet) is proposed to be payable by all veterinary businesses apportioned between them "*on a per (small animal) FOP basis*".⁶³ [REDACTED].

⁶³ PDR, Part B, paras. 2.56 and 11.59.